

Message Text

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10
ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 ADP-00 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 GSA-01 L-03 H-03 INT-08 RSR-01 /187 W

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 4943

INFO AMEMBASSY BANGKOK

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY LA PAZ

AMEMBASSY LONDON

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E.O. 11652: GDS

TAGS: EMIN, ECON

SUBJECT: TIN DISPOSALS

REF: A. STATE 155287; B. STATE 156730

1. EMBASSY WELCOMES DEPT'S CONSULTATION WITH GOM ON
IMPENDING CHANGES IN TIN DISPOSAL PROGRAM AS WE BELIEVE MORE
DISPOSALS DESIRABLE 1973. GOM OFFICIAL RESPONSE TO CON-
SULTATIONS MAY WELL BE COUCHED IN "STRONGLY NEGATIVE" TERMS
AS HARUN PREDICTS. BUT IT APPEARS TO US THAT GOM AND TIN
INDUSTRY, WHILE DEEPLY CONCERNED ABOUT SOME ASPECTS OF US
STOCKPILE DISPOSALS POLICY, HAVE LESS STRIDENT AND MORE
AMBIVALENT VIEW OF INCREASING US DISPOSALS RATE AT THIS TIME.

2. OUR PRESENT READING OF KL THINKING IS THAT THEY CON-
CERNED MAINLY IN TERMS OF LONG RANGE PROBLEMS OF US DISPOSALS
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AND ARE NOT DISCONTENTED WITH EFFECT OF US DISPOSALS TO DATE.

BOTH GOVT AND PRODUCERS VIEW CURRENT HIGH DEMAND FOR TIN AS PRINCIPALLY A CONSEQUENCE OF WORLD MONETARY UNCERTAINTY AND AS REPRESENTING A FLIGHT FROM CURRENCIES RATHER THAN BUYING FOR CONSUMPTION. THOUGH DIFFICULT PROBLEMS ARE ANTICIPATED WHEN THIS SPECULATIVE BUYING ENDS, FOR THE MOMENT US TIN DISPOSALS ARE SEEN AS A STABILIZING FACTOR IN THE MARKET, CONSTITUTING AN ABNORMAL SUPPLY TO MEET AN ABNORMAL DEMAND. ALTHOUGH PRODUCERS GENERALLY - ESPECIALLY SMALL GRAVEL PUMP OWNERS - ARE PRESSING FOR ITC TO RAISE BUFFER STOCK PRICE RANGES, LARGER PRODUCERS ARE RUGING GOVT TO PRESS FOR ITC SALES FROM BUFFER STOCK EVEN TO POINT OF DEPLETION.

3. A MAJOR PROBLEM OF GOM AT PRESENT TIME IS THE SIGNIFICANT INFLATIONARY THREAT THAT IS DEVELOPING OUT OF A GENERAL ECONOMIC BOOM NOW ENTERING ITS SECOND YEAR. RISING PRICES OF PAST TWO MONTHS ACCENTUATED BY UPWARD FLOATING MALAYSIAN DOLLAR HAVE ADDED TO INFLATIONARY FIRES THROUGH INCREASED PURCHASING POWER AND PRESSURES ON WAGE RATES. GOM NOT PLEASED TO HAVE THIS SOURCE OF INFLATION DAMPENED THROUGH US DISPOSALS. ALTHOUGH THIS ATTITUDE NOT WHOLLY SHARED BY INDUSTRY, MAJOR DREDGE OPERATORS HAVE TOLD US OF THEIR FEAR OF IRREVERSIBLE WAGE HIKES UNLESS TIN PRICES KEPT UNDER CONTROL.

4. EMBASSY COMMENT. WHILE FURTHER GOM CONSIDERATION OF US PROPOSAL MAY LEAD TO IMMODERATE AND "STRONGLY NEGATIVE" EXPRESSION, PRELIMINARY REACTION TO REFTEL CONVERSATION WITH BEN HARUN FOLLOWS AMBIENT PATTERN NOTED HERE. OVERRIDING INTEREST OF GOM IS IN GSA'S DISCOVERY OF ADDITIONAL 32,000 TON AUTHORIZATION, AS THEY HAD BEEN COUNTING ON CONGRESSIONAL BALKING ON LEGISLATION. GOM RESPONSE IN CONSULTATIONS MAY SHOW ANNOYANCE OVER GSA'S DISCOVERY, WHICH WILL BE REFLECTED IN ALMOST CERTAIN COUNTERPROPOSAL FOR DISPOSAL RATE LESS THAN 17,000 TONS. ON BALANCE, HOWEVER, WE BELIEVE THAT WITH SAFEGUARDS NOTED PARA 2E REF A GOM WILL NOT VIEW FURTHER DISPOSALS E.G. 5,000 TONS DURING 1973 AS DAMAGING TO ITS INTEREST.

5. REQUEST ON PRIORITY BASIS SOME DETAILS ON HOW GSA ARRIVED AT 17,000 TON FIGURE. AS FAROUK BIN ISHAK, DEP SEC GEN PRIMARY INDUSTRIES PUT IT "WE THINK THE TIME TO SELL

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IS WHEN THE PRICES ARE HIGH, BUT 17,000 IS A LOT OF TIN TO FLOG IN 6 MONTHS." IN RESPONDING TO OUR REQUEST SPECIAL ATTENTION SHOULD BE GIVEN TO (1) ESTIMATED REAL CONSUMER DEMAND AS OPPOSED TO SPECULATIVE MONETARY DEMAND, AND (2) EXTENT TO WHICH HARVEY CLOSEDOUT FIGURES IN ESTIMATES. BELIEVE OUR ABILITY TO PROVIDE SATISFACTORY ANSWER TO QUESTION OF HOW 17,000 TON FIGURE DERIVED WILL AID CONSIDERABLY IN ELICITING FAVORABLE GOM RESPONSE.

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